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DEPARTMENT OF FINANCE

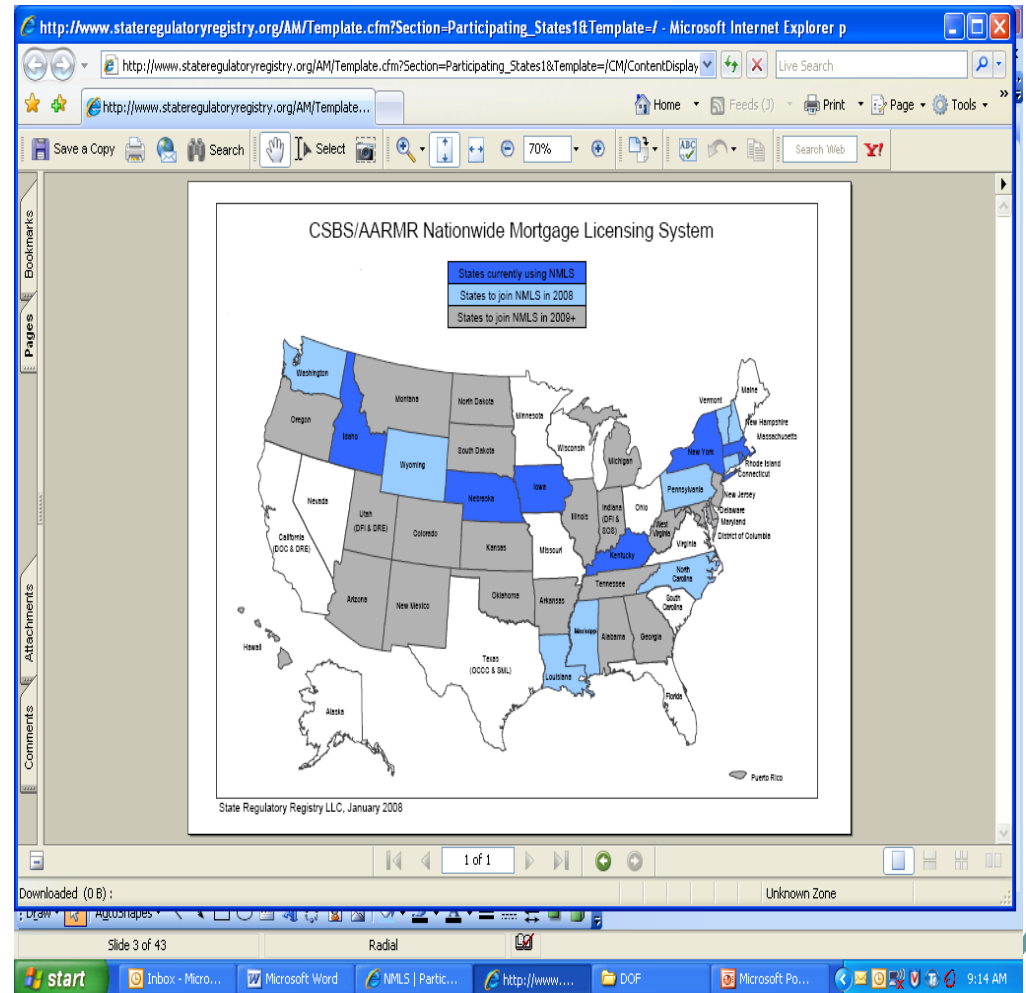


***The Nationwide Mortgage Licensing System
(NMLS)
Updates and Tips
to
Maximize Your NMLS Usage***

***K.C. Schaler
Supervising Examiner***

NMLS Successfully Launches...

- January 2, 2008 with seven initial states: ID, IA, KY, MA, NE, NY & RI
- Nine states scheduled to launch by July 2008: WA, WY, LA, MS, NC, PA, VT, NH & CT
- Twenty-two states and a territory propose to join in 2009 or shortly after: OR, MT, UT, AZ, NM, CO, ND, SD, KS, OK, AR, IL, MI, IN, TN, AL, GA, WV, MD, DE, NJ, HI & PR



The NMLS ...

- is a secure, web-based system allowing licensees, companies and loan originators to apply for, amend, update and renew licenses online for any participating state
- will allow licensees access to the system 362 days a year, 7 days a week with operational assistance through a national call center at 240-386-4444, Monday through Friday 9:00am-6:00pm EST
- creates a single record for the licensee regardless of the number of licenses held or number of states from which business is conducted
- current functionality has changed *the major method of delivery and receipt of information* from paper to electronic, but it has not changed the requirements a regulator must perform to review and approve a license.

Transition...

- Existing company, branch and loan originator licensees must transition their license information onto the NMLS
 - Transition records must match what the regulator has currently on file
 - Changes to names, addresses, employment and residence histories or other updates will need to be filed separately *after* the transition request has been filed
- Idaho licensees must submit their transition request and all relevant forms through the NMLS at the earlier of:
 - Applying for a new branch license;
 - Amending their existing record (changes to Qualified Person in Charge “QPIC”, officers, directors, address, dba, etc);
 - Hiring any new loan originator, or terminating one currently on the NMLS; or
 - September 1, 2008
- Transition will require your current license number to avoid being charged an application fee. Licenses issued from a paper application after December 3, 2007 included a letter outlining the transition process and a “DUMMY” number to use for the transition

Make Your Transitions (and other filings) Easier...

NMLS | Home - Microsoft Internet Explorer provided by The Idaho Department of Finance

http://www.stateregulatoryregistry.org/NMLS/AM/Template.cfm?Section=Home3

NMLS NATIONWIDE MORTGAGE LICENSING SYSTEM **Log into NMLS**

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About the System

The Nationwide Mortgage Licensing System has been designed to streamline the licensing process, improve supervision and increase transparency in the mortgage industry. The NMLS will contain a single record for each state regulated mortgage lender, broker, branch and loan originator. This single record can be used to apply for, amend, renew or surrender licenses in any participating jurisdiction.

For more information, view our interactive [Overview of the NMLS](#).

Getting Started

Which best describes you?

Company **Loan Officer** **Regulator**

State Licensing Resource Page

You can consult each state agency's transition plan and jurisdiction-specific requirements on our [State Licensing Resource Page](#).

News and Alerts

**** ALERT ****

Release of Version 1.1
NMLS has recently upgraded to Version 1.1. For more information about Version 1.1 see [Release Notes](#).

Deadline for Massachusetts Division of Banks company and branch licensees is April 15, 2008
Companies holding a *Mortgage Broker License* or *Mortgage Lender License* in Massachusetts have until 4/15/08 to complete and submit a Form MU1 and relevant Form MU2s for their company and a Form MU3 for each *Mortgage Broker Branch License* or *Mortgage Lender Branch License* to meet the Division's renewal process for 2008.

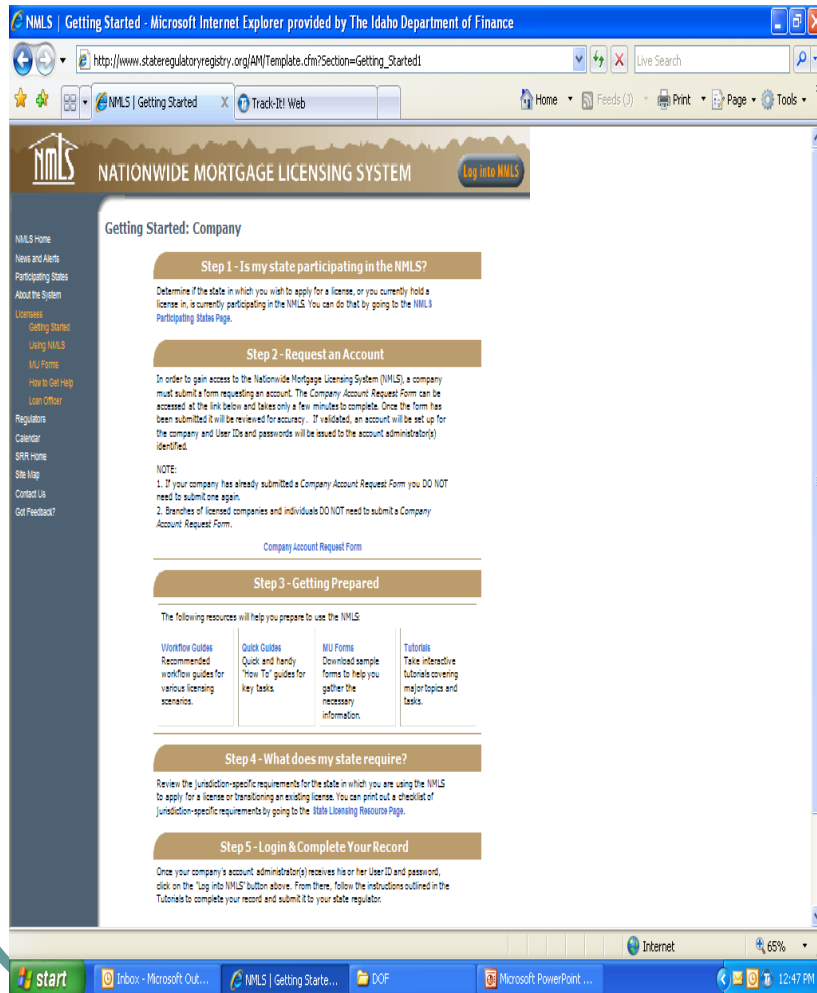
Mortgage loan originators have different deadlines and should consult MA's [Transition Plan](#).

Renewal deadline for Rhode Island licensees has expired
Companies holding a *Lender License* or *Loan Broker License* in Rhode Island had until 3/31/08 to complete and submit a Form MU1 and relevant Form MU2s for their company and a Form MU3 for each Branch Certificate held to meet the Department's renewal process for 2008.

All persons required to apply for a *RI Mortgage Loan Originator Registration* also had until 3/31/08 to file Rhode Island jurisdiction-specific requirements and complete and submit a Form MU4 through the NMLS.

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Getting Started...companies



- **Company initiated filings**
- **Work Flow Guides - step by step processes**
- **Quick Guides for specific tasks**
- **Tutorials**

Work Flow and Quick Guides

...Companies

NMLS | How To - Microsoft Internet Explorer provided by The Idaho Department of Finance

http://www.stateregulatoryregistry.org/AM/Template.cfm?Section=How_To

NMLS | How To

Track-It! Web

Home Feeds (1) Print Page Tools

NMLS NATIONWIDE MORTGAGE LICENSING SYSTEM [Log into NMLS](#)

Quick Guides

The following documents provide quick instructions to help companies and individuals.

Suggested Workflow Guides

For transitioning an existing license onto the NMLS, select the scenario that best describes your situation:

- [Company License Only](#)
- [Company License with Branch Licenses](#)
- [Company License with Branch and Loan Officer Licenses](#)

Quick Guides

For Companies:

- [Create a Company Relationship](#)
- [Create Sponsorship](#)
- [Terminating Access and a Relationship](#)

For Individuals:

- [Create an Individual Account](#)
- [Attestation](#)
- [Loan Officer MU4 Filing](#)
- [Providing Access to a Company](#)
- [Terminating Access and a Relationship](#)

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Transition Work Flow...when the company completes the filings

The screenshot displays the NMLS website in a Microsoft Internet Explorer browser. The address bar shows the URL: http://www.stateregulatoryregistry.org/AM/Template.cfm?Section=How_To&Template=/CM/ContentDisplay.cfm&ContentID. The page title is "NATIONWIDE MORTGAGE LICENSING SYSTEM". The main heading is "TRANSITIONING YOUR COMPANY, BRANCH AND LOAN OFFICERS".

Transitioning Your Company, Branch, and Loan Officer licenses onto the NMLS
If your company has to transition your existing company license/registration, one or more branch licenses/registrations and one or more loan officer licenses/registrations onto NMLS to meet a state's requirement, the steps below outline the most efficient method for accomplishing this task.

Recommended Workflow

1. Consult the jurisdiction-specific instructions and print the applicable checklist for each license type that you need to transition and begin compiling these materials. The instructions provide information that will help you understand your jurisdictions requirements in regard to certain fields in the NMLS. You can find the instructions and checklists on the NMLS' State Licensing Resource Page at www.stateregulatoryregistry.com/nmls.
2. Create a new Form MU1 filing for your company. A Form MU2 is automatically created as part of your Form MU1 for each Control Person or Qualifying Individual identified. Ensure that a Form MU2 has been created for all Direct Owners, Qualifying Individuals and Control Persons before moving on to the next step. In order to create, you will need basic information about each individual, including their name, date of birth, social security number, title and employment address.
Note: You must have your valid license number for each license that you are transitioning onto NMLS in order to avoid paying new application fees.
3. Prior to completing Form MU1, you may have the individual(s) first complete the paper version Form MU2, MU3 and MU4. Paper MU Forms can be found on the MU Forms section of the NMLS website.
4. Complete as much of each Form MU2, MU3 and Form MU4(s) as desired.
Note: Do not direct the Control Person, Qualifying Individual, Branch Manager and/or Loan Officer to create an individual account until you've entered the Form MU1, MU2, MU3 and MU4 information. By the company initiating this action, the company will automatically have access to the individual's record.
5. Direct each Control Person, Qualifying Individual, Branch Manager and/or Loan Officer to go to the NMLS Login page and Create an Individual Account. The "Create an Individual Account Guide" will tell them how to do this. Each individual needs to notify the company when they've completed this step.
6. Send Form MU2, MU3 and MU4s through the NMLS pending filings by clicking on the "Requesting Attestation" Link to each Control Person, Qualifying Individual, Branch Manager and Loan Officer for completion or review and attestation. The "Attestation Quick Guide" will tell them how to do this.
7. Upon receipt and review of all attested Form MU2s, MU3's and MU4's complete any remaining portions of Form MU1. Any edits made during the review process will require attestation again.
8. Mail the appropriate jurisdiction-specific checklist items as noted in #1 above with all required documents for your Company's Form MU1 and MU3(s). Be sure the checklist includes the Company Name and NMLS Unique ID number.
9. Log into NMLS and submit your Form MU1 filing and all Form MU3 filings.
10. After submitting the Company's Form MU1 and all relevant Form MU3(s) AND having received and reviewed all attested Form MU4s from Loan Officers, mail the appropriate jurisdiction-specific checklist items as noted in #1 above for each loan officer's Form MU4.
11. Log into NMLS and create a Company Relationship with all Form MU4 applicants. The "Create Company Relationship Quick Guide" will tell you how to do this.
12. Submit all Form MU4 filings.
13. After successfully submitting Form MU4 filings, Create Sponsorships for each loan officer license that your company is sponsoring. The "Create Sponsorships Quick Guide" will tell you how to do this.

Next Steps
Log into the NMLS after 5 business days to check the license status of your submitted filings. A license status of "Approved" for each company, branch and loan officer license means that the regulator accepted that license transition.
For more information about managing the license process after submission, refer to the "Managing Your License Status Quick Guide"

For further assistance, please contact the NMLS Call Center at 240-388-4444

Updated: 1-24-08 Copyright © State Regulatory Registry LLC Page 1 of 2

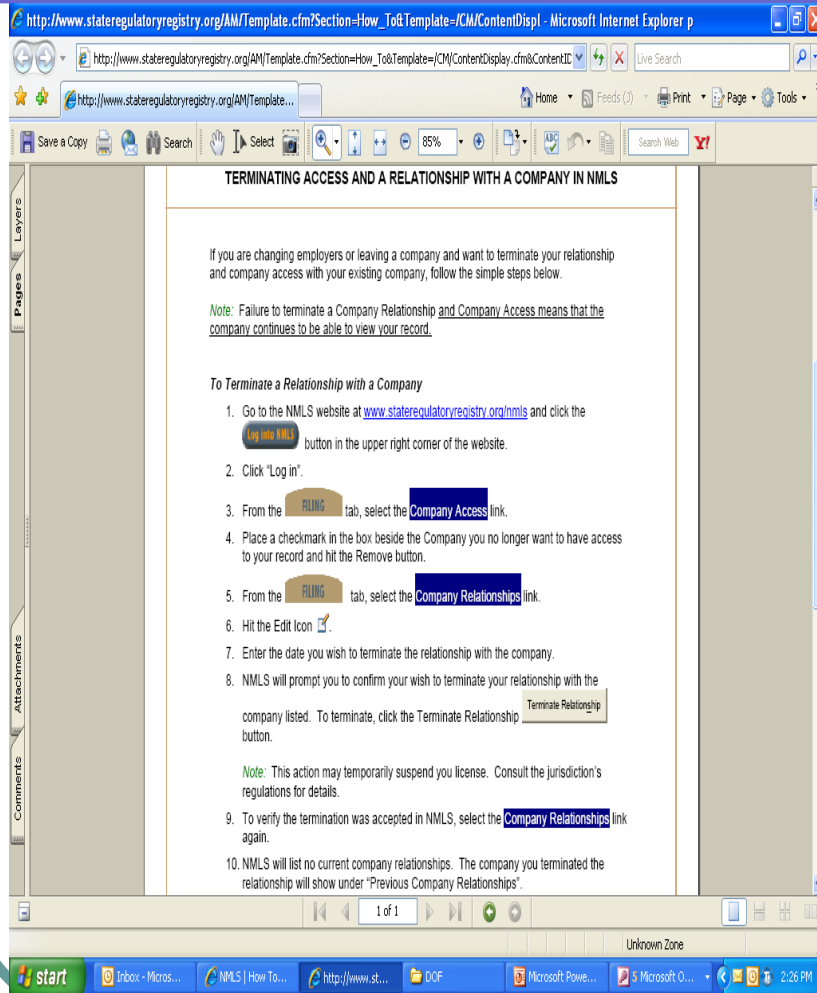
The browser's taskbar at the bottom shows the Start button and several open applications: "Inbox - Microsoft Ou...", "NMLS | How To - Micr...", "http://www.statereg...", "DOF", "Microsoft PowerPoint...", and the system clock shows "1:01 PM".

Relationship and Sponsorship

...know the difference

- ...between an employer “relationship” filing and a “sponsorship” filing in the NMLS
- A company creates a “relationship” filing to identify an individual as an employee of a company. This would apply to loan originators, control persons, QPICs and branch managers—anyone that would be required to complete a Form MU2 or Form MU4.
- A company creates a “sponsorship” filing after a “relationship” filing with a loan originator in order to sponsor one or more of the loan originator’s licenses (e.g. multiple states). Sponsorship is the authorization for a loan originator to conduct business under a specific license and can only be initiated by a company. The company’s MU1 and the loan originator’s MU4 must both be submitted to a regulator before a “sponsorship” can be created.
- The “sponsorship” filing must be filed and approved with the Department before a loan originator license application can be placed in an “Approved-Active” status and a license issued.

Loan Originators Get More Control in the NMLS...



- **Loan originators can terminate their employment relationship with an employer**
 - Both parties must be in the NMLS
 - Automatically severs the license sponsorship
 - Frees the LO to associate with a new employer without depending on previous employer to file termination notification to the Department
- **Companies will be able to view a loan originator's records until an LO terminates both the relationship and the access in the NMLS with that company**
- **Loan originator can notify new employer to file new relationship and sponsorship filings**

State Licensing Resource Page

...transition plans, jurisdiction specific requirements

NMLS | State Resource Page - Microsoft Internet Explorer provided by The Idaho Department of Finance

http://www.stateregulatoryregistry.org/AM/Template.cfm?Section=Participating_States&Template=/CM/ContentDisplay.cfm

NMLS | State Resource P... | Track-It! Web

State Licensing Resource Page

Starting January 2, 2008, NMLS will serve as an official system of record for applying for and maintaining licensure for the following 7 state agencies.

Current Licensees

If you are a current licensee in one or more of these jurisdictions, you must transition your license information on the System according to the transition plan outlined for each state.

New Applicants

Before applying for a license you should consult the jurisdiction-specific requirements for that state agency. If you wish to apply for a license and currently do not have a NMLS account, visit [Getting Started](#), which will walk you through the application process.

State	Agency Website	Transition Plan	Jurisdiction-Specific Requirements
Idaho	Department of Finance	Transition plan	Requirements
Iowa	Division of Banking	Transition plan	Requirements
Kentucky	Office of Financial Institutions	Transition plan	Requirements
Massachusetts	Division of Banks	Transition plan	Requirements
Nebraska	Department of Banking and Finance	Transition period expired	Requirements
New York	State Banking Department	Transition plan	Requirements
Rhode Island	Department of Business Regulation	Transition plan	Requirements

NOTE: These materials are provided for guidance only and are offered without any warranties. Each state is the final arbiter of information required for licensure in their state. Licensees should consult each state's statutes and regulations for full requirements.

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NMLS | Idaho - Microsoft Internet Explorer provided by The Idaho Department of Finance

http://www.stateregulatoryregistry.org/AM/Template.cfm?Section=Idaho

NMLS | Idaho | Track-It! Web

NATIONWIDE MORTGAGE LICENSING SYSTEM

Log into NMLS

Idaho

All license information is for guidance only and is made without any warranties.
Check state agency website for complete information: [Idaho Department of Finance](#)

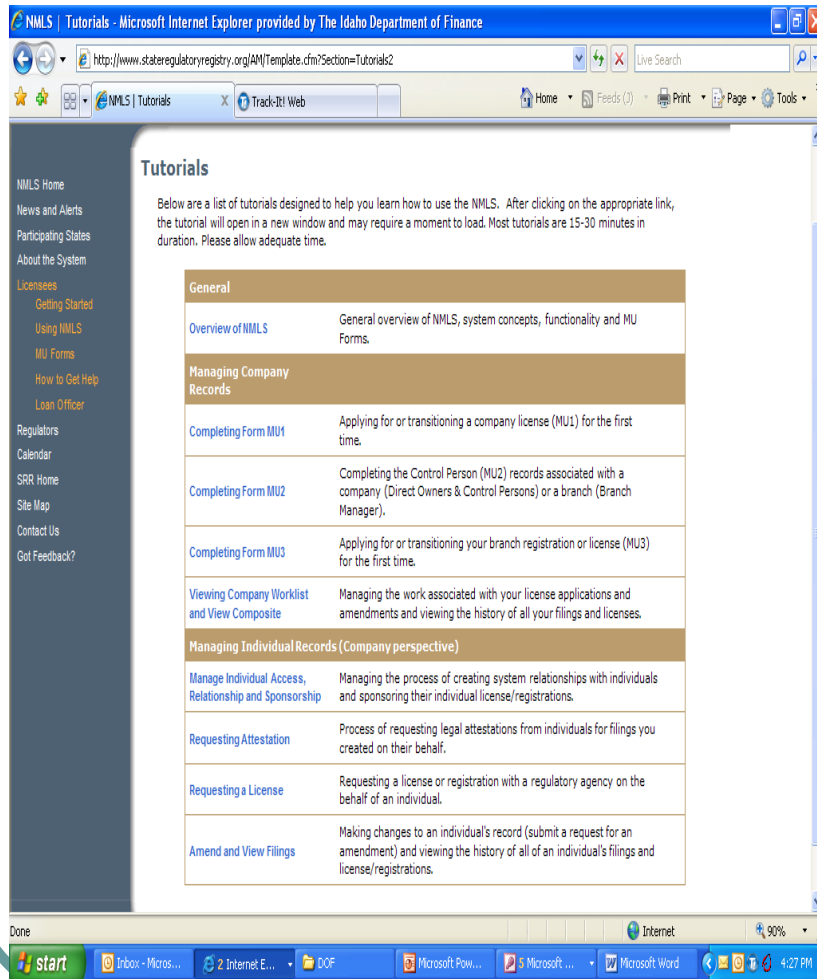
Company Licenses	Description	Requirements Checklist
Mortgage Broker/Lender License	This license is required of any company or sole proprietors, regardless of location, conducting direct or indirect mortgage origination activity on residential property located in Idaho. (More details)	Transition to NMLS New Application Amendment Surrender
Mortgage Broker/Lender License (Branch)	This license is required for all offices, other than the main office identified on the Mortgage Broker/Lender License, whether located in Idaho or not, which directly or indirectly conducts mortgage origination activity on residential property located in Idaho. (More details)	Transition to NMLS New Application Amendment Surrender

Individual Licenses	Description	Requirements Checklist
Mortgage Loan Originator License	This license is required of any natural persons conducting residential mortgage origination activities in Idaho on behalf of a mortgage broker or mortgage lender from locations licensed to conduct activity in Idaho. (More details)	Transition to NMLS New Application Amendment Surrender

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Tutorials...



- designed to help you learn to navigate the NMLS
- 15-30 minute durations
- become familiar with the document flow and system

Privacy Issues...

- **Viewing of private information of individuals is limited to:**
 - Regulators
 - Specific company users set up by their company administrator
- **Designated users may search for individuals by first and last name, DOB or SSN** *(they must have been provided the information to use to conduct the search)*
- **Search results show matches for the search criteria but only display:**
 - Legal name
 - Masked DOB (month/day only—no year)
 - Masked SSN (last 4 digits only)
- **Individual account holders (loan originator/MU4, control person/MU2, QPIC/MU2) can only view or create filings for themselves—they have no search functionality**
- **FINRA—(fka NASD)-- has never had a security breach**

A Few Statistics... *for the first 90 days*

- **Company and loan originator users:**
 - created 31,214 MU1, MU2, MU3 and MU4 filings
 - submitted 21,147 MU1, MU2, MU3 and MU4 filings
 - responded to and completed 8,921 work items (deficiencies)
- **Seven inaugural states:**
 - created 17,712 work items (deficiencies)
 - approved 1,636 company “home/main” office licenses (NY did not accept company licenses during this period)
 - approved 923 branch licenses/registrations (NY did not accept company licenses during this period)
 - approved 1,188 loan originator licenses (6 states license/register LOs—RI and MA just began licensing LOs within the last 60 days)
 - created manual email notifications to notify filers that:
 - Filings had been received
 - Updates, work-list items and other information was ready for access under their account

What's to Come...

Functionality updates released each quarter

March 31st included:

- **Company Users:** Alerts company users to updated filings by control persons/loan originators
- Company relationship/license sponsorship screens now have a toggle hyperlink to switch between active and inactive
- Formatting instructions added for phone, fax, SSN and EIN numbers
- **Regulators:** Data downloads now allow regulators to import information into state databases—avoids manual input required in first 90 days
- **Composite Views (company and regulator):**
 - A new Company MU2 Associations extract will list all MU2 individuals associated to a company or its branches
- **Composite Views (all users)**
 - Individual Filing History screen reflects entity ID that submitted filing
 - New Individual Snapshot Extract will list latest MU2/MU4 filing information, current licenses and statuses, current and past MU2 associations, relationships and sponsorships

More to Come...

June 30th plans/proposes:

Company Users: System generated notifications to alert company to:

- MU1 (company)/MU3 (branch):
 - failed filing submissions
 - change of license/application status
 - deficiency item created/cleared
- MU4 (individual):
 - failed filings submissions
 - change of license/application status
 - attestation completed (MU2/MU4)
 - change in sponsorship status
 - terminated relationship
 - notification when access granted to company by individual

Individual Users: System generated notifications to alert individual to:

- Change in license/application status
- Deficiency item created/cleared
- Attestation requested
- Filing recalled
- Company establishment/termination of relationship
- Company's license has been placed into an inactive status for any reason
- MU2/MU4 has been submitted on individual's behalf

Still More to Come...

- Later In 2008
 - Ability to obtain pre-designed reports
 - Renewals
- Still to Come
 - Continuing Education Credit tracking
 - Surety Bond tracking
 - Administrative Actions
 - Consumer Access to Limited Information
 - Similar to state website information currently available

Some Final Pieces of Information...

- Transition does NOT affect your license authority or ability to conduct business (may affect renewal)
- Priority is currently given to new applications and relationship/sponsorship filings
- Neither Idaho nor the NMLS system will charge fees for license amendments such as name, dba and address changes
- Application and transition processes will be expedited if jurisdiction required checklists are reviewed and submitted in a timely fashion with necessary items
- Reminder: current functionality has changed *the major method of delivery and receipt of information* from paper to electronic, but it has not changed the requirements a regulator must perform to review and approve a license. Status calls will not expedite, but will delay, the process



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Continuing Education



Are YOU Ready?

Deadline Nears...

- Idaho's first Continuing Education reporting period ends October 31, 2008
- More than 2,000 loan originators and QPICs will be required to complete 16 hours of accredited instruction
 - Current license issued between January 1, 2006 and October 31, 2006
 - QPIC designation made prior to October 31, 2006 (and still current)
- Certificates of completion must be **received** by the Idaho Department of Finance no later than November 30, 2008
 - Submit copies of certificates as received
 - Courses and providers must be approved in Idaho at the time the course was taken
 - Submit by email to mortgage@finance.idaho.gov, fax to 208.332.8096 or through the USPS
 - Providers are not responsible nor directed to provide completion certificates to the Department

What You Need...

- **Fourteen (14) hours covering any of the following accepted topics:**
 - Mortgage industry generally
 - Loan evaluation and documentation
 - Features of various loan products
 - State and federally required disclosures
 - Ethical considerations
 - Laws related to mortgages, deeds of trust, liens, pledges
 - Real estate and appraisal law
 - Principal and agency law and contract law
 - Basics of home purchase/ownership
 - RESPA/RegX, TILA/RegZ and federal Consumer Credit Protection Act
 - Idaho Credit Code, Idaho Mortgage Company Act, Idaho Escrow Act, Idaho Financial Fraud Prevention Act and the UCCC
- **Two (2) hours of Idaho law encompassing the Idaho Residential Mortgage Practices Act and Rules**
- **Courses in sales, increasing or building your business such as lead generation, personal investment and wealth opportunities, commercial lending/brokering or motivational topics are not acceptable for accreditation**
- **Information on the method of course instruction (classroom/web based), course scheduling, availability and cost will need to be obtained directly from the provider**

Things to Know...

- **Loan Originator licensees and QPICs are responsible to provide course completion certificates to the Idaho Department of Finance**
- **Courses do not have to be physically attended in Idaho or completed in Idaho**
- **Approved providers and courses are listed on the Department's website at <http://finance.idaho.gov> in the "approved licensee and provider section" under "continuing education"**
 - Eighteen (18) courses are approved from NAMB
 - Single courses and packages available
 - ID/WA/OR tri-state regional certification package is available
 - Courses available through HUD, Rural Development, IHFA as well as private companies

Things to Think About...

- **License at risk for suspension or revocation**
 - Failure to attain required credit hours by October 31
 - Failure to deliver the evidence of acceptable course completion by November 30
 - Failure to maintain the records of course completion for three (3) years
 - Failure by QPIC could affect company license
- **Reinstatement or issuance of any new license is subject to curing the related CE requirement that caused the loss of license**

Changes in 2008...

- **“Credit Hour” definition modified to 50 minutes** (was 60 minutes)
- **Two (2) hours of Ethics will be required beginning with the reporting period that commences November 1, 2008**
 - Total hours of CE remain at sixteen (16)
 - Two (2) hours IRMPA/Rules
 - Two (2) hours Ethics
 - Twelve (12) General Approved Topics
- **Instruction of the IRMPA formally added as an approved general topic**

Refreshers and Reminders...

- **Reporting periods begin on November 1st immediately following the issuance of a loan originator license/designation as a QPIC**
- **Reporting periods are two (2) years in duration and will end on October 31st**
 - Example: License issued 6/1/2006: Reporting period begins 11/1/2006 and ends 10/31/2008
 - Example: License issued 11/3/2006: Reporting period begins 11/1/2007 and ends 10/31/2009
 - Example: License issued 10/15/2008: Reporting period will begin on 11/1/2008 and end 10/31/2010
- **CE credits may be obtained and accrue towards first reporting period upon approval of license/designation as QPIC**
 - No requirement to wait until November 1st
- **CE Credits may be obtained and accrue towards first reporting period PRIOR to issuance of a license/QPIC designation IF:**
 - Complete loan originator license application/QPIC designation request and documents are submitted within 90 days of the completion of the course;
 - A license is issued or QPIC designation is approved from that submission; AND
 - Provides a course completion certificate to the Idaho Department of Finance within sixty (60) days of initial licensure/designation
- **Excess credits earned within a reporting period will not roll over into the next period**
- **Courses may not be repeated with the same provider within the same reporting period for credit**

Thank You



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Preparing for Mortgage Examinations: Understanding Examination Focus and Common Compliance Problems

***Anthony Polidori
Supervising Examiner/Investigator***

*“They always say time changes things, but
you actually have to change them
yourself.”*

Andy Warhol

- Markets changes have made an impact on the mortgage industry
- These circumstances can foster positive changes in the way financial services are offered

The Role of the Department of Finance

- Aggressively promote access to financial services
- Conduct prudent and efficient oversight of financial institutions and credit transactions
- Encourage legitimate financial transactions while detecting and taking action against fraud, unsafe practices and unlawful conduct

Oversight

- Compliance Examinations are a key element to performing oversight of financial institutions and credit transactions
 - Examinations provide the Department with specific transaction information for individual licensees
 - Examinations allow the Department to measure compliance
 - Examinations provide the opportunity to correct non-compliance
 - Examinations support open communications between the Department and licensees

Examination Focus

- The Department conducts two forms of examinations
 - Limited-scope examinations; commonly known as routine examinations
 - Full-scope examinations; commonly referred to as for-cause examinations

Limited-Scope Examinations

- The Department conducts routine examinations throughout the year based on resource availability and examination priorities
- The Consumer Finance Bureau's strategic goal is to complete 200 examinations annually across various programs
- In 2008, one-third of this goal is comprised of mortgage licensee examinations

Limited-Scope Examinations

- Limited-scope examinations focus on
 - General business management
 - Advertising practices
 - Basic financial accounting and record-keeping measures
 - Compliance review of loan production

Preparing for Examination

- Elements to consider
 - Development of compliance policies and internal compliance monitoring
 - Establishment of consistent record-keeping practices
 - Development of business practices which support compliance

Areas of Examination Review

- Business management
 - Review of licensing compliance
 - Active loan originators are licensed
 - Business information is correctly recorded with the Department
 - Business has adopted policies to support and measure compliance

Areas of Examination Review

- Business management
 - Risk management practices
 - Written policies directly related to non-traditional products and risk mitigation tools
 - Monitoring loan volume by concentration of non-traditional products
 - Establishment of audit programs for non-traditional loans

Areas of Examination Review

- Accounting/Record-keeping/Advertising
 - Accounting measures are adequate
 - Record-keeping is comprehensive and verifiable
 - Advertising meets compliance with state and federal statutes and rules

Areas of Examination Review

- Loan originations (disclosures)
 - Compliance with Idaho specific disclosure requirements
 - Mortgage Broker/Lender disclosure
 - Rate Lock/Float information disclosure
 - Pre-payment penalty information disclosure

Areas of Examination Review

- Loan originations (disclosures)
 - Compliance with RESPA and Regulation X
 - Use and delivery of Good Faith Estimates
 - Use and delivery of Servicing Transfer Statements
 - Use and delivery of required disclosure booklets

Areas of Examination Review

- Loan originations (disclosures)
 - Compliance with TILA and Regulation Z
 - Use and delivery of Truth-in-Lending disclosures
 - Accuracy of APR and Finance Charge Disclosures
 - Use and delivery of required disclosure booklets

Areas of Examination Review

- Loan originations (practices)
 - Practices in providing required disclosures
 - Documentation practices within loan files
 - Sales practices evident within loan files

Areas of Examination Review

- Loan origination (practices)
 - Loan terms and underwriting
 - Qualifying borrowers for specific products
 - Repayment capacity
 - Collateral dependency
 - Risk layering
 - Reduced documentation

Areas of Examination Review

- Loan originations (settlement)
 - Accounting for fees paid or received through settlement
 - Assessment of fees and charges
 - Reconciliation of final loan product to original application or other events evident within the loan file

Areas of Examination Review

- Loan originations (cancellations – declines)
 - Records of all originations
 - Timely and complete adverse action notification

Important Points to Consider

- Individual loan originators are directly subject to Department oversight
 - The books of records of any licensee are subject to Department review
 - The Department may seek administrative action against individuals for violations of mortgage related statute or rules

Important Points to Consider

- Loan originator licensing does not remove liability of mortgage broker/lender licensees for the acts of individuals
 - Due to the supervision requirements of the IRMPA, companies may be held liable for the actions of agents and employees

Important Points to Consider

- Records related to mortgage activity include any notes and correspondence as well as documents commonly associated with mortgage loans

Important Points to Consider

- General accounting practices and record-keeping apply not only to mortgage broker/lender licensee but also to loan originator licensees

Important Points to Consider

- Advertising violations are becoming more commonplace. Things to avoid in advertising include:
 - Misleading statements related to an offer
 - Use of the names of unrelated financial institutions or government entities
 - Making offers that are not valid or statements that are untrue

Questions?



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Mortgage Fraud Trends and Outcomes

Anthony Polidori
Supervising Examiner/Investigator

***“Oh what a tangled web we weave, when first
we practice to deceive!”***

Sir Walter Scott

A Quick Look Back

- In 2005, the Idaho Legislature enacted the Idaho Financial Fraud Prevention Act, defining certain actions as financial fraud
 - Employing schemes to defraud a financial institution
 - Attempting to obtain the assets of a financial institution while serving as its employee or agent
 - False representation as a financial institution
 - Obtaining personal financial information through misrepresentation

Elements of a Fraud

- Fraud commonly includes an intentional deception employed to deprive another of money, property, or legal right
 - Conducted through misrepresentation or omission
 - Conducted by misleading a person into performing certain actions
 - Includes intent or a willful action to obtain a specific result

“Why should it concern us?”

(From the Department’s 2006 presentation)

- Mortgage fraud is often underreported yet may have an impact on specific markets
- Both mortgage lending and housing markets have significant impacts on the overall economy
- The pervasiveness of fraud in mortgage lending can have an impact on available lending programs, on regional property values, and on the credibility of responsible mortgage brokers/lenders in certain markets

Trends in Mortgage Fraud

- Mortgage fraud is still underreported –
 - Reports are increasing dramatically
 - Between 2005 and 2007, mortgage related Suspicious Activity Reports increased approximately 112%
 - The FBI doubled its convictions on mortgage fraud cases from 2006 to 2007 and tripled the number of open cases it is investigating since 2003

Trends in Mortgage Fraud

- Can occur in transactions through the actions of either borrowers or industry professionals
- Is not always readily identifiable in certain mortgage programs
- Can occur as fraud for housing
- Can occur as fraud for profit

Trends in Mortgage Fraud

- In 2005, the FBI reported that approximately 20% of fraud was fraud for housing
 - Based on current conditions – it may be likely that this number is not as meaningful as it once was
 - Fraud for housing may include collusion between industry professionals and borrowers

Trends in Mortgage Fraud

- Fraud for housing may occur through misstatements made by borrowers
- It may require supporting information from borrower references, such as:
 - Employers
 - Landlords
 - Family members

Trends in Mortgage Fraud

- Why “fraud for housing” may be less slanted toward only borrower actions
 - Risk – Reward Calculation by industry professionals
 - Inconsistent business controls
 - Technology

Trends in Mortgage Fraud

- Fraud for Housing; Risk – Reward
 - Supporting or encouraging “minor” misstatements in a transaction may go unnoticed
 - Volume isn’t effected when the manner of misrepresentations do not require comprehensive resources

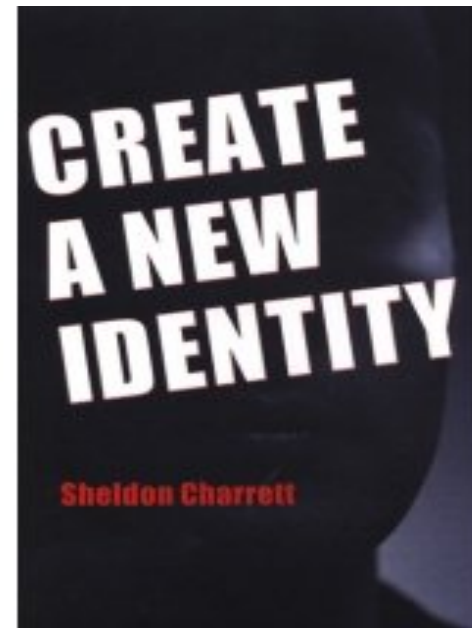
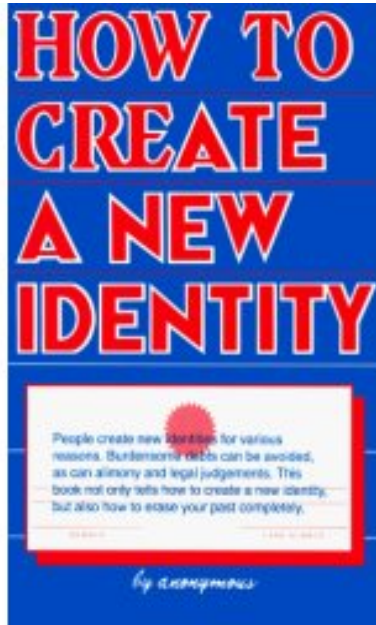
Trends in Mortgage Fraud

- Fraud for Housing; Inconsistent Business Controls
 - Limited internal controls at the originating level
 - Limited controls at the underwriting level
 - Limited controls at the funding and secondary market levels

Trends in Mortgage Fraud

- Fraud for Housing; Technology
 - Various technology resources exist to aid in supporting borrower statements about income, employment and assets
 - Web-based resources can assist in supporting such statements

Trends in Mortgage Fraud



Trends in Mortgage Fraud

CREATE PAYSTUBS INSTANTLY

**FINALLY, A COMPUTER PROGRAM THAT WILL MAKE PERSONALIZED,
PRINTABLE, PAYCHECK PAYSTUBS INSTANTLY!**

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IT IS THIS EASY!!!

**THIS COMPUTER PROGRAM WILL BE AUTOMATICALLY DOWNLOADED ONTO YOUR COMPUTER APON
COMPLETION OF THIS TRANSACTION !!!**

Trends in Mortgage Fraud

- Fraud for profit constitutes the most significant occurrences of fraud
- It often represents a regular practice to defraud
- It may involve various industry professionals
 - Mortgage companies and loan originators
 - Appraisers
 - Title company/escrow officers
 - Real estate agents
 - Builders – “Real Estate Investors”

Trends in Mortgage Fraud

- Fraud for profit may include
 - Attempts to improve borrower credit characteristics
 - By manipulating – income/employment; assets; liabilities; and even credit
 - Attempts to improve subject collateral values
 - By using – “friendly appraisers”; property comps; coercion in appraisal orders; and manipulation of appraisal reports

Trends in Mortgage Fraud

"New legal credit file to help repair your bad credit history, get new social security number and create a new identity



Thanks to this **insider credit information** 25,812 people have won the fight against having bad credit and are happy with our Legal Credit Secrets!

**Learn 3 Proven Techniques to Legally Establishing A
New Credit File and Remove Bad Credit ..
Even Get AAA Good Credit After Bankruptcy!**

This website is changing the rules! -You are about to discover legal credit establishing secrets that no one wants to disclose.

Because these secrets have been hidden from you long enough, it's about time that someone actually showed you the exact steps **How to Legally Establish Good Credit with a new credit file**. The following credit secrets and techniques are proven, completely legal and real.

Yes, I know that this page is a little long, but it will be worth your time. You won't need to invest 5 years in research like I did only to find out what is secretly hidden behind our back.

If you'd like to discover the best-kept secrets of legally establishing a new identity credit profile with a new 9-Digit Number, then keep your eyes glued to this page. You won't find this insider information anywhere else.

Trends in Mortgage Fraud



Trends in Mortgage Fraud



Trends in Mortgage Fraud

- Based on the Tenth Periodic Case Report to the Mortgage Bankers Association, the Mortgage Asset Research Institute indicated that
 - Fraud occurs most often within the application
 - This is followed by verifications of deposit and then financial statements

Outcomes to Mortgage Fraud

- As reported by MARI
 - The lowest number of originations since 2002
 - High number of delinquencies and foreclosures
 - Rapid restrictions in the non-conforming credit markets
 - Closure of multiple mortgage related companies

Outcomes to Mortgage Fraud

- As reported in the news
 - Increase in mortgage fraud related indictments and convictions
 - Personal stories of family hardships due to loss of home
 - Increasing number of other predatory issues, such as foreclosure rescue schemes

Outcomes to Mortgage Fraud

- What we see in our own markets...
 - The pervasiveness of fraud in mortgage lending can have an impact on available lending programs, on regional property values, and on the credibility of responsible mortgage brokers/lenders in certain markets

Penalties for Mortgage Fraud

- Idaho Code §67-2755
 - Injunctions from continued violations
 - Cease & Desist orders
 - Civil Penalties between \$5,000 and \$10,000
 - applicable to all parties involved in the fraud
 - Criminal Penalties

Penalties for Mortgage Fraud

- Idaho Code §26-3109
 - Revocation or suspension of mortgage broker/lender or loan originator license

Related Provisions

- The Idaho Residential Mortgage Practices Act includes several prohibited practice provisions for the purpose of consumer protection
- Many of these prohibitions have the ability to reduce occurrences of financial fraud

Related Provisions

- Idaho Code §§26-3114 & 3114A–
 - Exclusive dealing or agency agreements with borrower
 - Delaying closing in order to increase fees payable by borrower
 - Accepting fees that had not been previously disclosed to borrowers

Related Provisions

- Obtaining agreements or instruments which are to be completed after being signed
- Misrepresenting material particulars in a transaction
- Making false promises
- Influencing the independent judgment of an appraiser

Related Provisions

- Entering into an agreement to lock an interest rate without delivering confirmation to a borrower

Specific to loan originators

- Being employed by more than 1 mortgage broker/lender
- Entering into concurrent contractual arrangements to provide originating services for more than 1 broker

Related Provisions

- Rule 40 – Deceptive Advertising
 - Misrepresentations in advertising
 - Failing to identify pertinent information in advertising
 - Bait and switch advertising
 - Advertising locations that are not licensed
 - Advertising in a manner that creates the appearance that a solicitation is from a government agency or mortgage holder

Related Provisions

- Rule 60 –
 - Misrepresentations or omissions
 - Failure to disburse funds in a timely manner
 - Failure to provide borrower with an advance review of closing documents
 - Require borrowers to obtain property insurance greater than the replacement value of property

Questions?
